

US senators warn of 'trust' gap over Facebook digital currency

July 17 2019, by Rob Lever



David Marcus, who is heading Facebook's digital currency initiative, testified about the planned Libra digital currency during a Senate Banking Committee hearing

US senators Tuesday questioned whether Facebook can be trusted to

manage its proposed Libra digital currency in the first public hearing into the plan on Tuesday.

The lawmakers were the latest to criticize Facebook's digital coin plan unveiled last month with two dozen partners and touted as a way to lower costs and facilitate cross-border money transfers.

David Marcus, Facebook's executive heading the Libra effort, defended the plan during a more than two-hour Senate Banking Committee hearing while pledging to comply with all regulations to thwart money laundering and criminal activity.

Yet several senators warned of the risks of the plan and questioned whether Facebook can be trusted after a series of missteps on privacy and data protection.

"I don't trust you guys," Republican Senator Martha McSally of Arizona said.

"You violated privacy in the past as a company... yet you are launching a new product and you're claiming that the privacy is going to be protected. So how are users to know that that's also not going to change and they're not going to be violated?"

Attempting to cast doubt on Facebook's trustworthiness, Republican Senator John Kennedy of Louisiana peppered Marcus with a series of questions about what Facebook knew regarding Russian manipulation on [social media](#) ahead of the 2016 US election.



This undated image obtained June 17, 2019 courtesy of Libra Press shows the logo graphic for Libra, the proposed digital currency from Facebook and its partners

"I have great respect for Facebook but Facebook now wants to control the money supply. What could possibly go wrong?" the senator said.

Facebook is planning to launch Libra next year pending regulatory approvals, and Marcus, whose written comments to the panel were released Monday, noted that Facebook was working with regulators worldwide.

"Libra is intended to address an important problem," said Marcus, reiterating that the new system is designed to meet the needs of people who may be outside the traditional banking system.

"Imagine a daughter who wants to send money home to her mom in another country. Of the \$200 she sends, \$14 on average will be lost because of fees. It can also take several days or even a week for the mother to receive the money, a delay that can prove disastrous in an emergency," he said.

Mixing data?

Some senators questioned whether Facebook would live up to its commitment not to mix Libra platform data with its social media and ad targeting data.



Committee chairman Senator Mike Crapo (C) listens to ranking member Senator Sherrod Brown (R) during a hearing before the Senate Banking Committee on

Facebook's digital currency plan

"Facebook might not intend to be dangerous but surely they don't respect the power of the technologies they are playing with," said Senator Sherrod Brown, an Ohio Democrat.

"Facebook has demonstrated through scandal after scandal that it doesn't deserve our trust. It should be treated like the profit-seeking corporation it is, just like any other company."

Other lawmakers offered a more measured response, saying Libra could be a useful innovation.

"Despite the uncertainties, Facebook's stated goals for the payment system are commendable," said the committee chair, Idaho Senator Mike Crapo, a Republican.

"If done right," Libra could "deliver material benefits such as expanding access to the financial system for the underbanked and providing cheaper and faster payments," he said.

On Monday, US Treasury Secretary Steven Mnuchin warned that Facebook had much work to do before it could get necessary approvals to handle financial transactions.



Facebook digital currency lead executive David Marcus told a Senate hearing the proposed Libra virtual coin could lower the cost of many financial transactions

"Whether they're [banks](#) or non-banks, they're under the same regulatory environment," Mnuchin told reporters at the White House, adding that Facebook "will have to have a very high standard before they have access to the financial system."

Facebook last month unveiled its plans for Libra, widely regarded as a challenger to dominant global player bitcoin.

Expected to launch in the first half of 2020, Libra is designed to be backed by a basket of currency assets to avoid the wild swings of bitcoin and other cryptocurrencies.

Mnuchin said the US Treasury welcomes "responsible innovations" that can improve the efficiency of the financial system but added: "Our overriding goal is to maintain the integrity of the financial system and protect it from abuse."

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